

Terrebonne Port Commission

Annual Financial Report
As of and for the
Year Ended December 31, 2013

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor and at the office of the parish clerk of court.

Terrebonne Port Commission
Terrebonne Parish Consolidated Government

Annual Financial Report
As of and for the Year Ended December 31, 2013

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-7
Financial Statements	
Statement of Net Position	8
Statement of Revenues, Expenses, and Change in Net Position	9
Statement of Cash Flows	10
Notes to Financial Statements	11-21
Other Reports and Information Required by GAO	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	22-23
Schedule of Findings and Responses	24
Schedule of Prior Findings and Responses	25

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Terrebonne Port Commission
Terrebonne Parish Consolidated Government
Houma, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Terrebonne Port Commission (the Commission), a component unit of the Terrebonne Parish Consolidated Government, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the presentation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

To the Board of Commissioners
Terrebonne Port Commission
Terrebonne Parish Consolidated Government
Houma, Louisiana

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also involves evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Terrebonne Port Commission as of December 31, 2013, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

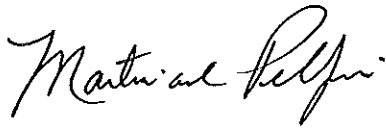
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2014, on our consideration of the Commission's internal control over financial

To the Board of Commissioners
Terrebonne Port Commission
Terrebonne Parish Consolidated Government
Houma, Louisiana

reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Martin A. Relfo". The signature is fluid and cursive, with a large initial "M" and a long, sweeping underline.

Houma, Louisiana
June 26, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Terrebonne Port Commission
Terrebonne Parish Consolidated Government

Management's Discussion and Analysis
December 31, 2013

As management of the Terrebonne Port Commission (the Commission), we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Port for the year ended December 31, 2013.

FINANCIAL HIGHLIGHTS

- The Port Commission's assets exceeded its liabilities by \$78,118,005 (net position) as of December 31, 2013.
- The Commission's total net position increased by \$6,727,595.
- The Port Commission received federal, state, and local contributions totaling \$8,954,107 for capital projects.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the Commission's basic financial statements. The Terrebonne Port Commission's basic financial statements consist of four components: 1) Statement of Net Position 2) Statement of Revenues, Expenses, and Change in Net Position, 3) Statement of Cash Flows, and 4) Notes to the Financial Statements.

Statement of Net Position. This statement presents the Terrebonne Port Commission's assets and liabilities, with the difference of assets and liabilities reported as net position. The fluctuation in net position can be used as an indication of whether the financial position of the Commission is improving or deteriorating.

Statement of Revenues, Expenses, and Change in Fund Net Position. Consistent with the full accrual basis method of accounting, this statement accounts for current year revenues and expenses regardless of when cash is received or paid. The statement also exhibits the relationship of revenues and expenses with the change in net position.

Statement of Cash Flows. The statement of cash flows illustrates the cash inflows and outflows of the Terrebonne Port Commission.

Notes to the Financial Statements. The accompanying notes provide additional information essential to a full understanding of the data provided in the basic financial statements.

Terrebonne Port Commission
Terrebonne Parish Consolidated Government

Management's Discussion and Analysis
December 31, 2013

BASIC FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the Commission, assets exceeded liabilities by \$78,118,005 at the close of the most recent year, December 31, 2013. The largest portion of the Commission's total assets is net capital assets (97%):

The Commission's Net Position

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
ASSETS		
Current assets:		
Cash and cash equivalents - unrestricted	\$ 2,211,068	\$ 339,581
Cash and cash equivalents - restricted	39,750	4,638,789
Due from other governmental units	-	2,665,588
Receivables	81,645	4,953
Prepaid insurance	13,250	12,536
Capital assets, net of accumulated depreciation	<u>82,744,800</u>	<u>70,360,774</u>
Total assets	<u>85,090,513</u>	<u>78,022,221</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	598,326	3,707,013
Due to Terrebonne Parish Consolidated Government	6,444	11,733
Unearned revenues	48,114	-
Post-employment benefits obligation	26,925	21,067
Certificates of indebtedness		
Due within one year	534,000	209,300
Due in more than one year	<u>5,758,699</u>	<u>2,777,562</u>
Total liabilities	<u>6,972,508</u>	<u>6,726,675</u>
NET POSITION		
Invested in capital assets, net of related debt	76,452,101	67,373,912
Restricted	39,750	4,638,789
Unrestricted	<u>1,626,154</u>	<u>(717,155)</u>
Total net position	<u>\$ 78,118,005</u>	<u>\$ 71,295,546</u>

- Total assets increased by \$7,068,292 and total liabilities increased by \$245,833.
- The increase in assets is attributable to an increase in net capital assets of \$12,384,026.

Terrebonne Port Commission
Terrebonne Parish Consolidated Government

Management's Discussion and Analysis
December 31, 2013

During the year, the Commission's net position increased by \$6,727,595. The elements of the increase are as follows:

The Commission's Change in Net Position

	Year Ended December 31, 2013	Year Ended December 31, 2012
REVENUES		
Dry dock rental fees	\$ 463,608	\$ 120,000
Rental fees	332,380	393,172
Bulkhead rental fees	15,700	36,000
Administrative income	3,574	1,239
Miscellaneous income	1,750	2,094
Total revenues	<u>817,012</u>	<u>552,505</u>
OPERATING EXPENSES		
Depreciation	2,176,143	1,639,017
Contractual services	241,064	253,637
Personal services	223,903	207,193
Other services and charges	161,594	70,524
Repairs and maintenance	32,160	25,678
Supplies, materials, and technology	5,018	6,463
Total expenses	<u>2,839,882</u>	<u>2,202,512</u>
OTHER INCOME (EXPENSE)		
Gain (loss) on disposal of assets	-	159,908
Interest income	2,687	1,409
Interest expense	(206,329)	(237,350)
Total other income (expense)	<u>(203,642)</u>	<u>(76,033)</u>
LOSS BEFORE CONTRIBUTIONS	(2,226,512)	(1,726,040)
CAPITAL CONTRIBUTIONS	<u>8,954,107</u>	<u>22,044,817</u>
INCREASE IN NET POSITION	<u><u>\$ 6,727,595</u></u>	<u><u>\$ 20,318,777</u></u>

As indicated above, net position increased by \$6,727,595. This increase is primarily due to capital contributions of \$8,954,107.

Terrebonne Port Commission
Terrebonne Parish Consolidated Government

Management's Discussion and Analysis
December 31, 2013

The Commission's Cash Flows

	Year Ended December 31, 2013	Year Ended December 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from tenants	\$ 783,110	\$ 627,144
Cash received from other sources	5,324	3,333
Cash paid to employees and suppliers	<u>(652,777)</u>	<u>(552,864)</u>
Net cash flows provided by operating activities	<u>135,657</u>	<u>77,613</u>
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES		
Investment income	<u>2,687</u>	<u>1,409</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(11,038,963)	(22,191,839)
Proceeds from disposal of capital assets	-	159,908
Capital contributions	4,978,695	20,615,416
Proceeds from certificate of indebtedness	3,500,000	1,180,000
Principal payments on certificate of indebtedness	(99,299)	-
Interest payments on certificates of indebtedness	<u>(206,329)</u>	<u>(237,350)</u>
Net cash flows used in capital and related financing activities	<u>(2,865,896)</u>	<u>(473,865)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u><u>\$ (2,727,552)</u></u>	<u><u>\$ (394,843)</u></u>

- Total cash and cash equivalents decreased by \$2,727,552.

REQUEST FOR INFORMATION

This financial report is designed to provide general overview of the Commission's finances for all those with such an interest. Call the Port Commission office (985-873-6428) and ask for David Rabalais, Port Director, if you should have any further questions concerning any of the information provided in this report or have a request for additional financial information.

FINANCIAL STATEMENTS

Terrebonne Port Commission
Terrebonne Parish Consolidated Government
Proprietary Fund – Enterprise Fund

Statement of Net Position
December 31, 2013

ASSETS

Current Assets

Cash and cash equivalents - unrestricted	\$ 2,211,068
Cash and cash equivalents - restricted	39,750
Receivables	81,645
Prepaid insurance	13,250
Total current assets	<u>2,345,713</u>

Capital assets, net of accumulated depreciation of \$7,465,788	<u>82,744,800</u>
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TOTAL ASSETS	<u><u>85,090,513</u></u>
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LIABILITIES

Current Liabilities

Accounts payable and accrued expenses	598,326
Due to Terrebonne Parish Consolidated Government	6,444
Unearned revenues	48,114
Total current liabilities	<u>652,884</u>

Post-employment benefits obligation	26,925
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Certificates of indebtedness

Due within one year	534,000
Due in more than one year	5,758,699

TOTAL LIABILITIES	<u><u>6,972,508</u></u>
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NET POSITION

Invested in capital assets, net of related debt	76,452,101
Restricted	39,750
Unrestricted	1,626,154

TOTAL NET POSITION	<u><u>\$ 78,118,005</u></u>
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The accompanying notes are an integral part of this statement.

Terrebonne Port Commission
Terrebonne Parish Consolidated Government
Proprietary Fund – Enterprise Fund

Statement of Revenues, Expenses,
and Change in Net Position
For the Year Ended December 31, 2013

REVENUES

Dry dock rental fees	\$ 463,608
Rental fees	332,380
Bulkhead rental fees	15,700
Administrative income	3,574
Miscellaneous income	<u>1,750</u>

TOTAL REVENUES	<u>817,012</u>
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EXPENSES

Depreciation	2,176,143
Contractual services	241,064
Personal services	223,903
Other services and charges	161,594
Repairs and maintenance	32,160
Supplies, materials, and technology	<u>5,018</u>

TOTAL EXPENSES	<u>2,839,882</u>
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OPERATING LOSS	<u>(2,022,870)</u>
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OTHER INCOME (EXPENSE)

Interest income	2,687
Interest expense	<u>(206,329)</u>

TOTAL OTHER INCOME (EXPENSE)	<u>(203,642)</u>
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LOSS BEFORE CONTRIBUTIONS	(2,226,512)
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CAPITAL CONTRIBUTIONS (NOTE 4)	<u>8,954,107</u>
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CHANGE IN NET POSITION	6,727,595
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NET POSITION - Beginning	71,295,546
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PRIOR YEAR ADJUSTMENT (NOTE 13)	<u>94,864</u>
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NET POSITION - Ending	<u><u>\$ 78,118,005</u></u>
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The accompanying notes are an integral part of this statement.

Terrebonne Port Commission
Terrebonne Parish Consolidated Government
Proprietary Fund – Enterprise Fund

Statement of Cash Flows
For the Year Ended December 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from tenants	\$ 783,110
Cash received from other sources	5,324
Cash paid to employees and suppliers	<u>(652,777)</u>
Net cash flows provided by operating activities	<u>135,657</u>
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	
Investment income received	<u>2,687</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(11,038,963)
Capital contributions	4,978,695
Proceeds from certificate of indebtedness	3,500,000
Principal payments on certificates of indebtedness	(99,299)
Interest payments on certificates of indebtedness	<u>(206,329)</u>
Net cash flows used in capital and related financing activities	<u>(2,865,896)</u>
Net decrease in cash and cash equivalents	(2,727,552)
CASH AND CASH EQUIVALENTS, beginning	<u>4,978,370</u>
CASH AND CASH EQUIVALENTS, ending	<u><u>\$ 2,250,818</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	\$ (2,022,870)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	2,176,143
Increase in:	
Receivables	(76,692)
Prepaid insurance	(714)
Increase in:	
Accounts payable and accrued expenses	5,818
Unearned revenues	48,114
Post-employment benefits obligation	<u>5,858</u>
Net cash flows provided by operating activities	<u><u>\$ 135,657</u></u>
NONCASH OPERATING AND INVESTING ACTIVITIES:	
Purchases of capital assets included in accounts payable	<u><u>\$ 564,211</u></u>
Noncash capital contribution	<u><u>\$ 6,641,000</u></u>

The accompanying notes are an integral part of this statement.

Terrebonne Port Commission
Terrebonne Parish Consolidated Government

Notes to Financial Statements
As of and for the Year Ended December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Terrebonne Port Commission was created by the City of Houma and the Terrebonne Parish Police Jury in 1964, as authorized by Louisiana Revised Statute 34:2201. On January 9, 1984, after a vote of the citizens of Terrebonne Parish, the City of Houma and the Terrebonne Parish Police Jury were consolidated to form the Terrebonne Parish Consolidated Government. The Port Commission is governed by a seven-member board. The Terrebonne Parish Consolidated Government appoints all members, two of which are nominated by the Parish President. The Port Commission is responsible for maintaining, operating, and developing the Terrebonne Port, located on the Houma Navigation Canal within one-mile of its intersection with the Gulf Intracoastal Waterway. The Port Commission is also responsible for maintaining and improving the waterways of Terrebonne Parish.

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the GASB. The accompanying financial statements have been prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America as applied to governmental units.

A. REPORTING ENTITY

Because the Consolidated Government appoints the governing board and can therefore impose its will, the Terrebonne Port Commission was determined to be a component unit of the Terrebonne Parish Consolidated Government, the governing body of the Parish and the governmental body with financial accountability.

The accompanying financial statements present information only on the funds maintained by the Commission and do not present information on the consolidated government, the general government services provided by that governmental unit, or the other governmental units that comprise the governmental reporting entity.

The Commission has reviewed all of its activities and determined that there are no potential component units that should be included in its financial statements.

B. METHOD OF ACCOUNTING

GASB statements established standards for external financial reporting for all state and local governmental entities which includes a statement of net position, a statement of revenues, expenses and change in net position, and a statement of cash flows. It

Terrebonne Port Commission
Terrebonne Parish Consolidated Government

Notes to Financial Statements
As of and for the Year Ended December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

requires the classification of net position into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – This component of net position consists of net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

The basic financial statements of the Commission are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

C. FUND TYPES

The Terrebonne Port Commission is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, net position, revenues, and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed primarily through user charges.

D. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Enterprise Fund is accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recorded when they are incurred.

Terrebonne Port Commission
Terrebonne Parish Consolidated Government

Notes to Financial Statements
As of and for the Year Ended December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

E. BAD DEBTS

The financial statements of the Commission contain no allowance for bad debts. Uncollectible amounts are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. These amounts are not considered to be material in relation to the financial position or operation of the Commission.

F. CASH AND CASH EQUIVALENTS

The Commission considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

G. CAPITAL ASSETS

Capital assets of the Port Commission, excluding donated property and equipment, are valued at cost. All donated property and equipment are recorded at estimated fair market value on the date of the donation. Assets are capitalized if costs exceed \$500 and if they have an estimated useful life of at least one year. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Capital assets reported on the statement of net position are net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful life of the individual asset. Estimated useful lives of assets range from 5 to 40 years.

H. OTHER POST-EMPLOYMENT BENEFITS

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits other than Pensions*, requires governments to accrue postemployment benefits to the extent it is probable the employer will provide benefits conditioned on the employees' retirement. The Commission has recorded liabilities for postemployment health care benefits as of December 31, 2013.

The postemployment benefits liability is recorded as a long-term obligation and allocated to expenses on a functional basis.

Terrebonne Port Commission
Terrebonne Parish Consolidated Government

Notes to Financial Statements
As of and for the Year Ended December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

I. ACCUMULATED VACATION AND SICK LEAVE

Upon separation of employment, employees are compensated for accumulated vacation leave at the employee's current rate of pay. As of December 31, 2013, employees had accumulated \$9,301 of employee leave benefits. Sick leave is not a vested benefit and will not be paid upon termination.

J. ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – DEPOSITS

Under state law, the Commission may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of another state in the Union, or the laws of the United States.

State law also requires that deposits of all political subdivisions be fully collateralized at all times. Acceptable collateralization includes the FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana, and certain political subdivisions are allowed as security for deposits. Obligations furnished as security must be held by the political subdivision or with an unaffiliated bank or trust company for the account of the political subdivision.

The year end balances of deposits are as follows:

	<u>Bank Balance</u>	<u>Reported Amount</u>
Cash	\$2,682,961	\$2,250,818

Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. The Commission has a written policy for custodial credit risk. As of December 31, 2013, \$2,432,961 of the Commission's bank balance of \$2,682,961 was exposed to credit risk. These deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Commission's name.

Terrebonne Port Commission
Terrebonne Parish Consolidated Government

Notes to Financial Statements
As of and for the Year Ended December 31, 2013

NOTE 2 – DEPOSITS (Cont).

Cash was adequately collateralized in accordance with state law by Federal Deposit Insurance Corporation (FDIC) coverage and by securities held by an unaffiliated bank for the account of the Commission. The Governmental Accounting Standards Board (GASB), which promulgates the standards for accounting and financial reporting for state and local governments, considers the securities subject to custodial credit risk. Even though the pledged securities are considered subject to custodial credit risk under the provisions of GASB Statement 40, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified by the depositor that the fiscal agent has failed to pay deposited funds upon demand.

As of December 31, 2013, \$39,750 of the Commission's deposits was restricted. The contributor of such funds restricted the use to the dry dock construction project only.

NOTE 3 – CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance January 1, 2013	Additions/ Reclassifications	Deletions/ Reclassifications	Balance December 31, 2013
Land	\$ 1,023,474	\$ -	\$ -	\$ 1,023,474
Land improvements	39,672	-	-	39,672
Equipment	42,973	1,100	-	44,073
Buildings	4,210,030	586,353	-	4,796,383
Infrastructure	45,372,895	11,883,926	24,733,482	81,990,303
Construction in progress	24,961,375	2,088,790	(24,733,482)	2,316,683
	<u>75,650,419</u>	<u>14,560,169</u>	<u>-</u>	<u>90,210,588</u>
Less accumulated depreciation:				
Land improvements	(20,608)	(2,645)	-	(23,253)
Equipment	(10,166)	(6,711)	-	(16,877)
Buildings	(71,875)	(71,875)	-	(143,750)
Infrastructure	(5,186,996)	(2,094,912)	-	(7,281,908)
	<u>(5,289,645)</u>	<u>(2,176,143)</u>	<u>-</u>	<u>(7,465,788)</u>
Totals	<u>\$ 70,360,774</u>	<u>\$ 12,384,026</u>	<u>\$ -</u>	<u>\$ 82,744,800</u>

Terrebonne Port Commission
Terrebonne Parish Consolidated Government

Notes to Financial Statements
As of and for the Year Ended December 31, 2013

NOTE 4 – CAPITAL CONTRIBUTIONS

The Commission is the sponsoring entity to a cooperative endeavor agreement entered into between the Louisiana Economic Development Corporation (LED) and a shipbuilding company (the Company) who expanded its facilities in Terrebonne Parish. Under this agreement, the Company was awarded \$4,000,000 from LED to be expended on infrastructure improvements. If certain new job creation criteria are achieved by the Company within program timelines, the award will be considered a grant. If such program guidelines are not met, the award is considered a loan which must be repaid. As the sponsoring entity, the Commission is responsible for administrative duties related to the agreement as well as monitoring the Company's compliance with program objectives.

The Commission entered into an agreement with the State of Louisiana, Department of Transportation and Development (DOTD). The DOTD agrees to pay the Commission an amount not to exceed ninety percent (90%) of the amount of eligible project costs approved by the Legislature. The maximum state funding is \$15,000,000.

The improvement that is to be undertaken under this agreement shall be port improvements consisting of the construction of a dry dock facility with the approximate dimensions of 320 feet by 126 feet and a lift capacity of approximately 9,000 short tons. Related to this project, the Commission also entered into a sub-recipient agreement with the Terrebonne Parish Consolidated Government. The Parish shall make available to the Port up to the gross amount of \$10,000,000 under the Community Development Block Grant (CDBG) Disaster Recovery program. The total cost of this project is \$29,556,000, which includes \$19,000,000 from these two contracts and a local match of \$5,000,000. On August 5, 2011, the local match of \$5,000,000 was deposited into the Commission's escrow account. Under the escrow agreement, the escrow agent shall invest the escrow amount in an interest-bearing money market account. All interest income shall be paid to the company who made the local match monthly or as may be agreed upon.

During the year ended December 31, 2013, \$1,700,000 of capital contributions from the DOTD and \$209,846 in local match were received related to these agreements.

The Commission requested reimbursement from the U. S. Department of Commerce/Economic Development Administration in the amount of \$403,261 for the road paving project.

On February 28, 2013, the Commission entered into a cooperative endeavor agreement with the State of Louisiana, Office of Facility Planning and Control. The Commission was awarded \$998,453 to be expended for slip dredging and improvements for the government multi-use complex. As of December 31, 2013, no reimbursable expenses were submitted for payment under this agreement.

Terrebonne Port Commission
Terrebonne Parish Consolidated Government

Notes to Financial Statements
As of and for the Year Ended December 31, 2013

NOTE 4 – CAPITAL CONTRIBUTIONS (Cont.)

The Commission has retained an independent certified public accounting firm (unrelated to its independent auditors) to assist in the administration of these agreements.

During the year ended December 31, 2013, a private entity contributed a dry dock module to the Commission. The estimated fair market value on the date of donation was \$6,641,000.

NOTE 5 – LEASE REVENUE

On November 20, 2012, the Commission entered into a written lease agreement with an unrelated party for use of property to conduct business. The term of the lease is for two years beginning January 1, 2013 and ending December 31, 2014. The lease automatically renews at the end of the two year lease term. The lessee has the option to renew and extend the lease for four additional four-year periods. Total rental income for 2013 is \$24,000.

The Commission leases various parcels of land located at the port to industrial and business concerns. These are noncancelable leases with obligated terms ranging from ten to twenty years. The operating lease income for the year ended December 31, 2013 was \$308,380.

The Commission leases bulkhead space and a dry dock to two companies under written agreements. The noncancelable leases are for twenty-five years. The operating lease income for the year ended December 31, 2013 was \$479,308.

The following is a schedule of future minimum rental income from noncancelable operating revenue leases as of December 31, 2013:

<u>Year Ending December 31,</u>	
2014	\$ 1,065,338
2015	939,619
2016	915,905
2017	764,061
2018	745,434
Thereafter	<u>11,442,362</u>
	<u>\$ 15,872,719</u>

Terrebonne Port Commission
Terrebonne Parish Consolidated Government

Notes to Financial Statements
As of and for the Year Ended December 31, 2013

NOTE 6 – OPERATING LEASE

On May 1, 2010, the Commission entered into a written lease agreement with an unrelated party for the office space from which it operates. The term of the lease was for two years beginning May 1, 2010 and ending April 30, 2012. The lease includes an annual automatic renewal provision upon mutual agreement by both parties. The agreement includes monthly payments of \$1,138 through April 2013. For each succeeding year, the rent shall be the base rent of \$1,138 plus a percentage increase corresponding to the increase in the most recent available Consumer Price Index (\$1,160 effective May 2013). Total rent expense for 2013 is \$13,833.

The future minimum rental payments required under this lease through April 30, 2014 total \$4,640.

NOTE 7 – POST-EMPLOYMENT BENEFITS

The Commission's employees are offered post-employment hospitalization and life insurance benefits under a defined benefit healthcare plan provided and administered by the Terrebonne Parish Consolidated Government. The Commission's liability related to the plan as of December 31, 2013 is \$26,925. Plan information, including actuarial valuation information and funding status, can be found in the annual financial report of the Terrebonne Parish Consolidated Government.

NOTE 8 – CERTIFICATES OF INDEBTEDNESS

As of December 31, 2013, the Commission had outstanding certificates of indebtedness as follows:

<u>Certificate of Indebtedness Number</u>	<u>Balance as of December 31, 2013</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
1	\$ 1,612,699	6.65%	July 1, 2024
2	1,180,000	4.75%	April 1, 2024
3	2,000,000	2.75%	April 1, 2023
4	1,500,000	4.15%	April 1, 2023
	<u>\$ 6,292,699</u>		

Each certificate is secured by a pledge and dedication of the annual revenues above statutory, necessary and usual charges in each of the fiscal years during which the certificate is outstanding.

Terrebonne Port Commission
Terrebonne Parish Consolidated Government

Notes to Financial Statements
As of and for the Year Ended December 31, 2013

NOTE 8 – CERTIFICATES OF INDEBTEDNESS (Cont.)

The following is a summary of changes in the certificates of indebtedness of the Commission for the year ended December 31, 2013:

	Certificates of Indebtedness
Payable as of January 1, 2013	\$ 2,986,862
Debt incurred	3,500,000
Debt retired	(194,163)
	<u> </u>
Payable as of December 31, 2013	<u>\$ 6,292,699</u>

The requirements to amortize the certificates of indebtedness outstanding as of December 31, 2013 are as follows:

Year	Principal	Interest	Total
2014	\$ 534,000	\$ 301,907	\$ 835,907
2015	558,500	278,525	837,025
2016	578,200	253,927	832,127
2017	607,700	228,318	836,018
2018	632,200	201,375	833,575
Thereafter	3,382,099	575,242	3,957,341
Totals	<u>\$ 6,292,699</u>	<u>\$ 1,839,294</u>	<u>\$ 8,131,993</u>

NOTE 9 – PENSION PLAN

Employees of the Terrebonne Parish Consolidated Government are members of the Parochial Employees' Retirement System (PERS). Membership in the retirement system is compulsory at date of employment. Membership is cancelled only by death, resignation, or retirement. Retirement benefits are based upon PERS provisions in place at the time of retirement. Retirement expense for the year ended December 31, 2013 was \$15,728.

NOTE 10 – RISK MANAGEMENT

The Commission is exposed to various risks of loss related to workers' compensation; torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to the public; and natural disasters for which the Commission carries commercial insurance or other insurance for the losses to which it is exposed. No settlements were made during the year that exceeded the Commission's insurance coverage. The Commission's premiums for general liability are based on various factors such as its operations and maintenance budget, exposure, and claims experience.

Terrebonne Port Commission
Terrebonne Parish Consolidated Government

Notes to Financial Statements
As of and for the Year Ended December 31, 2013

NOTE 11 – COMPENSATION OF BOARD MEMBERS

As provided by Louisiana Revised Statute 2:603, the Commissioners have elected to use the monthly meeting method of compensation. Under this method, the chairman and other board members receive a payment for each meeting attended with a limit of two paid meetings per month. Effective September 1, 2012, the board members receive \$60 per meeting. The compensation is included in personal services expense on the statement of revenues, expenses, and change in net position. The following amounts were paid to commissioners for the year ended December 31, 2013:

Andrew Blanchard	\$ 780
Dan Davis	720
Chris Erny	720
Greg Landry	720
Edward Rome	660
Steve Crispino	-
Charles Giglio	-
Total	<u>\$ 3,600</u>

NOTE 12 – CONTINGENCY

The Commission is involved in two lawsuits arising from the normal course of its activities. Management and its outside counsel have determined that damages, if any, related to these suits cannot be quantified at this time.

NOTE 13 – PRIOR PERIOD ADJUSTMENT

In 2012, a principal payment of \$94,864 on a certificate of indebtedness of the Commission was recorded in the books of record and by the lender as an interest payment understating net position by that amount. This prior period adjustment corrects such misclassification.

NOTE 14 – SUBSEQUENT EVENTS

Subsequent events were evaluated through June 26, 2014, which is the date the financial statements were available to be issued. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Terrebonne Port Commission
Terrebonne Parish Consolidated Government

Notes to Financial Statements
As of and for the Year Ended December 31, 2013

NOTE 14 – SUBSEQUENT EVENTS (Cont.)

The Commission is renovating the building it acquired on April 9, 2012 in preparation of it becoming leasable property. The United States of America (lessee) will pay rent to the Commission as follows:

	<u>Years 1-10</u> <u>Annual Rent</u>	<u>Years 11-15</u> <u>Annual Rent</u>
Shell rental rate	\$ 151,175	\$ 154,029
Tenant improvements rental rate	30,623	-
Operating costs	58,546	58,546
Building specific security costs	<u>3,203</u>	<u>-</u>
Total annual rent	<u>\$ 243,547</u>	<u>\$ 212,575</u>

This project is currently going out to bid for the renovations. Lease payments should begin by middle to late 2014.

OTHER REPORTS AND INFORMATION REQUIRED BY GAO

**Martin
and
Pellegrin**

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners
Terrebonne Port Commission
Terrebonne Parish Consolidated Government
Houma, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Terrebonne Port Commission (the Commission), a component unit of the Terrebonne Parish Consolidated Government, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Commission's financial statements, and have issued our report thereon dated June 26, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Board of Commissioners
Terrebonne Port Commission
Terrebonne Parish Consolidated Government
Houma, Louisiana

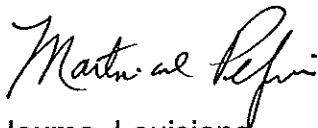
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. This report is intended solely for the information and use of the Board of Commissioners, management, the State of Louisiana, pass-through grantors, and the Louisiana Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Houma, Louisiana
June 26, 2014

Terrebonne Port Commission
Terrebonne Parish Consolidated Government

Schedule of Findings and Responses
For the Year Ended December 31, 2013

Section I – Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the Terrebonne Port Commission.
2. No deficiencies in internal control were noted during the audit of the financial statements.
3. No instances of noncompliance required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. A management letter was not issued.

Section II – Financial Statement Findings

No findings related to the basic financial statements of the Terrebonne Port Commission were noted during the audit.

Section III – Internal Control Findings

No findings related to the Terrebonne Port Commission's internal control, which would be required to be reported in accordance with *Government Auditing Standards*, were noted during the audit.

Section IV – Findings and Questioned Costs – Major Federal Award Program Audit

This section is not applicable.

Terrebonne Port Commission
Terrebonne Parish Consolidated Government

Schedule of Prior Findings and Responses
For the Year Ended December 31, 2013

Note: All prior findings relate to the December 31, 2012 audit engagement.

Section I – Internal Control and Compliance Material to the Financial Statements

This section is not applicable.

Section II – Internal Control and Compliance Material to Federal Awards

This section is not applicable.

Section III – Management Letter

This section is not applicable.